

**FOR
AGENDA**

EBAP/06/38
Correction 1

CONFIDENTIAL

April 12, 2006

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Employment, Compensation, and Benefits Review—Proposed Decisions**

The attached corrections to EBAP/06/38 (3/31/06) have been provided by the staff to correct a presentational error in Table 1:

Page 7, para. 21, Table 1, column 2: for “Grades A11–A13” read “Grades A11–A14”
column 3: for “Grades A14–B2” read “Grades A15–B2”

Questions may be referred to Mr. Márquez-Ruarte (ext. 37180) and Mr. J. Kennedy (ext. 34665) in HRD.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (1)

Other Distribution:
Department Heads

21. To develop a single market payline for Grades A9–B2, the market data for each sector will be aggregated by weighting the data on functional groups approximately in accordance with the occupational structure and distribution of Fund staff. The weighting in Table 1 below will be applied to the extent possible for this purpose.

Table 1. Occupational Weights for Public, Private Financial, and Industrial Sectors
(In percent)

Occupational Group	Grades A9–A10	Grades A11–A14	Grades A15–B2
Core Operational Occupations	30	70	85
Economics/Financial/Managerial	25	65	80
Legal	5	5	5
Administrative Occupations	70.0	30	15
Finance/Accounting	17.5	7.5	3.75
Information Systems	17.5	7.5	3.75
Human Resources	17.5	7.5	3.75
Other Administration 1/	17.5	7.5	3.75

1/ Includes external relations, language services, editing, facilities management, administrative services, and other administrative functions.

22. Full application of the indicated function weights is subject to data availability; data limitations have not permitted occupational weighting in the French and German industrial and public sectors. The indicated weights may also be adapted to align them with the structure of data in consultants' compensation databases (e.g., Hay Management Associates data on managerial/supervisory positions the U.S. industrial sector, which are maintained separately).

Compensation elements

23. The compensation taken into account in establishing the level of the market paylines will comprise base salaries and variable-cash performance payments that are paid on a one-year cycle. The variable-cash payments will be smoothed on the basis of a moving five-year average. No long-term incentives or deferred compensation will be included in the market data. Compensation data for the private financial and industrial sectors, which are typically collected by consultants during the third quarter of the year, will be "date-adjusted" forward to April 30 of the compensation review year on the basis of the organizations' reported increases or, when necessary, consultants' estimates of post-survey salary adjustments. Compensation data for the public sector will generally be collected and reported as of the first quarter of the compensation review year.

Tax and exchange rate factors

24. In order to compare compensation levels in the comparator markets with the level of the Fund's salary structure on a consistent basis, the comparators' gross, pre-tax compensation will be converted to an equivalent net-of-tax basis and, in the case of national markets other than the United States, to U.S. dollars.

25. **Applicable tax rates.** Net-of-tax compensation equivalent to the gross pay of comparators will be determined for applicable income levels on the basis of estimated effective tax rates for married taxpayers with two dependent children.² The tax information will be developed by an external tax/accounting firm for each national comparator market on the basis, insofar as possible, of (i) the tax regime (i.e., income brackets, tax rates, and generally applicable statutory exclusions, exemptions, and deductions) that applies as of May 1 of the compensation review year, and (ii) the most recent information released by national tax authorities on the applicable average exemptions and deductions of individual taxpayers.

26. **Applicable exchange rates.** The net-of-tax compensation of national comparator markets other than the United States will be converted to U.S. dollars on the basis of the simple average of (i) the average nominal exchange rate, and (ii) the average purchasing power parity rate, as published by the Organisation for Economic Co-Operation and Development, both calculated on the basis of the 12 months ending in October prior to the compensation review year.

27. **Adjustments for Spouse and Child (Tax Equivalency) Allowances.** The net-of-tax compensation of national comparator markets, expressed in U.S. dollars, will be reduced by the amount of the Fund's Spouse Allowance and, on the basis of two children, Child Allowance.³

Market pitch

28. Compensation in the comparator markets will be measured and the level of the comparator market paylines (i.e., the reference level to which the Fund relates its salaries) will be set at: (i) the 75th percentile of the U.S. industrial sector and of each sector in the international (i.e., French and German) comparator market; (ii) a level 10 percent above the mean of the U.S. public sector; and (iii) on the following sliding scale between the 75th percentile and the mean of the U.S. financial sector:

² Consistent with the existing practice, the net-of-tax compensation of the comparator market for Grades A1–A8 will be determined for applicable income levels on the basis of estimated effective tax rates for single taxpayers with no dependent children.

³ Consistent with the existing practice, the net-of-tax compensation of the comparator market for Grades A1–A8 will not be reduced by the amount of the Fund's Spouse and Child Allowances.